



The Washington Effect on Equities

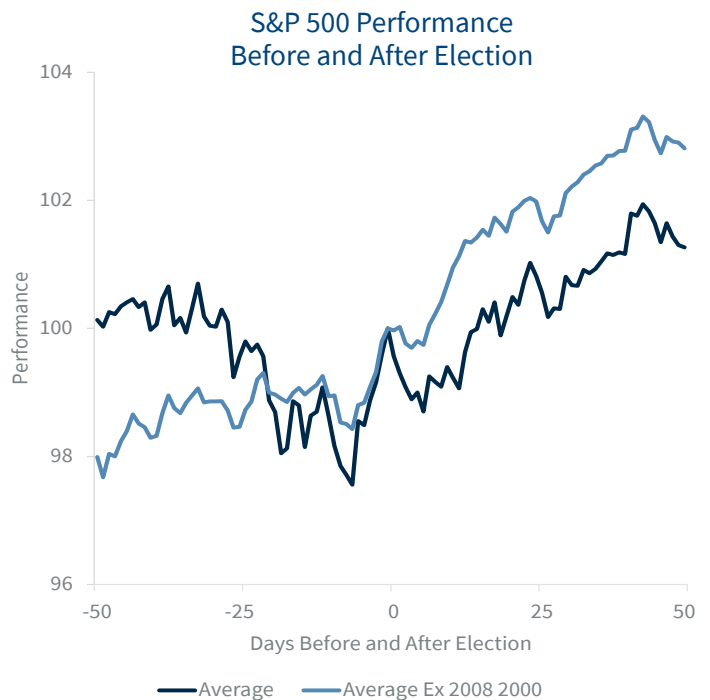
The Dynamics of Washington DC on the Economy and Equity Markets

EQUITY PERFORMANCE AROUND ELECTIONS

The year 2020 has certainly been one that will be remembered for decades to come. From Australian bushfires in January, to a dangerous escalation between the US and Iran in February, to the black swan event of the coronavirus and the shortest global recession ever there has been no shortage of major events. The next big event is the upcoming US presidential election.

Who will lead the United States on the global stage for the next four years? Will Congress remain divided or will there be a Democratic sweep? Will a winner be announced on November 3? There are many questions surrounding the election. One of the most important is how does the US stock market perform during such times?

Post WWII, the S&P 500 has historically experienced a positive performance in the 100 days surrounding an election (dark blue line). This is especially true if we exclude recessionary periods such as 2008 and 2000 (light blue line). In either case, the S&P 500 experienced its best performance after the election, with average returns of above 3% in just 50 days. This can be explained by the fact that once the winner is announced, the uncertainty surrounding policy changes tends to dissipate.

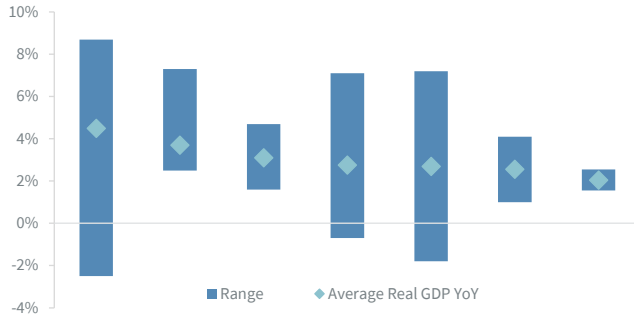


Source: FactSet, data since 1952

ANALYSIS OF THE WASHINGTON EFFECT

It is important to look beyond the simple average of performance of various political compositions in Washington as the volatility in observations and the lack of occurrences can impact the reliability of the results. While the composition of Washington is important, it is only one factor in our analysis. Other important factors include the business cycle, Fed policy, earnings growth, trends and valuations.

Annualized GDP Under Various Government Compositions



S&P 500 Performance Under Various Government Compositions



President	D	D	R	R	R	R	D
Senate	D	R	R	D	R	D	D
House	D	R	R	D	D	R	R
Occurrence	28%	11%	11%	30%	11%	3%	6%

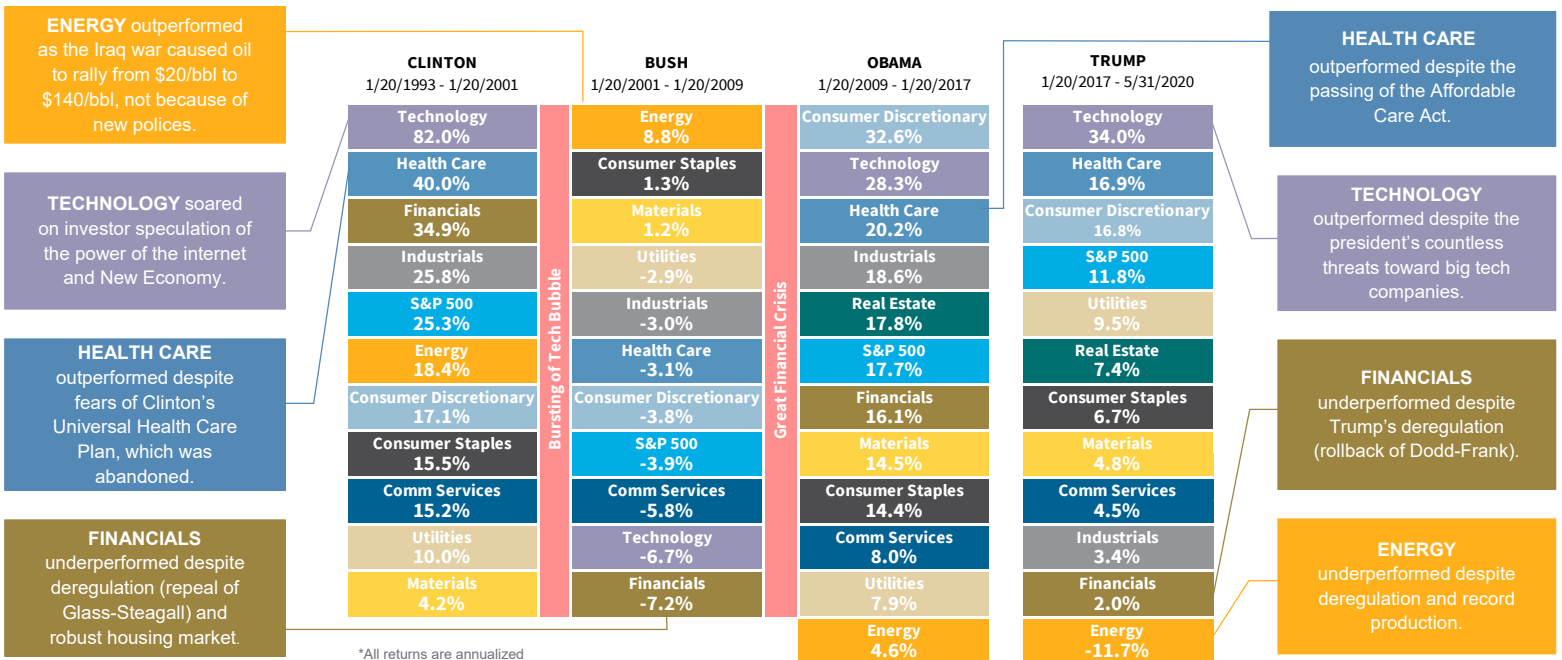
President	D	D	R	R	D	R	R
Senate	R	D	R	R	D	D	D
House	R	R	D	R	D	D	R
Occurrence	11%	6%	11%	11%	28%	30%	3%

Source: FactSet, data since 1949

WHO'S IN OFFICE? IT DOESN'T REALLY MATTER

While performance surrounding an election might be volatile, the long-term performance of all equity sectors, as well as the broad index, is unaffected by who's in the White House.

Sectors Trade Outside of Political Perspective



Source: FactSet, Raymond James Investment Strategy

All content written and assembled by Raymond James Investment Strategy

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